



JOHN NAIMO  
AUDITOR-CONTROLLER

## COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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October 15, 2014

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: John Naimo  
Auditor-Controller

A handwritten signature in blue ink, reading "John Naimo", is written over the printed name and title.

SUBJECT: **FOOTHILL FAMILY SERVICE – A DEPARTMENT OF MENTAL  
HEALTH AND DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of Foothill Family Service (Foothill or Agency), which included a sample of billings from Fiscal Years (FY) 2011-12 and 2012-13. The Department of Mental Health (DMH) contracts with Foothill to provide mental health services, including interviewing Program clients, assessing their mental health needs, and implementing treatment plans. The Department of Children and Family Services (DCFS) also contracts with the Agency to provide Wraparound Approach Services (Wraparound) Program services. The Wraparound Program provides services to children and their families such as therapy, housing, education, and social assistance.

The purpose of our review was to determine whether Foothill provided the services outlined in their County contracts, billed DMH for program services provided, and appropriately spent DMH and DCFS Program funds. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contracts and other applicable guidelines.

During FYs 2011-12 and 2012-13, DMH paid Foothill approximately \$12.7 and \$13.3 million on a cost-reimbursement basis, and DCFS paid the Agency approximately \$718,431 and \$1.1 million on a fee-for-service basis. The Agency provides services in the First and Fifth Supervisorial Districts.

## **Results of Review**

### **DMH Program Review**

Foothill's staff had the required qualifications to provide DMH Program services. However, Foothill overbilled DMH \$2,485 for eight (27%) of the 30 billings reviewed, and needs to improve the quality of documentation in their Assessments, Client Care Plans, and Progress Notes. Specifically, Foothill:

- Overbilled for five (50%) of the ten billings reviewed for Mental Health Services totaling \$1,003, where the Progress Notes did not describe what the clients or service staff attempted and/or accomplished towards the Client Care Plan objectives.
- Overbilled for three (60%) of the five billings reviewed for Crisis Intervention Services totaling \$1,482, without documenting the need for the Crisis Intervention Service.
- Did not adequately describe the clients' symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorder to support the diagnosis in 19 (95%) of the 20 Assessments reviewed.
- Did not develop specific objectives for 15 (75%) of the 20 Client Care Plans reviewed.
- Did not describe what the clients or service staff attempted and/or accomplished towards the clients' goals in any of the five (100%) Progress Notes billed for the Therapeutic Behaviors Services.

*Foothill's attached response indicates that they will repay DMH \$2,485, and provide documentation training to their treatment staff to ensure that Assessments, Client Care Plans, and Progress Notes are completed in accordance with their County contract.*

### **DMH and DCFS Fiscal Review**

Foothill properly recorded revenue in their financial records, and Agency management reviewed and approved bank reconciliations timely. Foothill also appropriately charged payroll expenditures to the DMH and Wraparound Programs, and maintained personnel files as required by their County contracts. However, Foothill charged \$62,529 (\$54,711 to the DMH Program and \$7,818 to the Wraparound Program) in questioned costs. After our review, Foothill provided additional documentation to support \$40,576 (\$38,610 for the DMH questioned costs and \$1,966 for the Wraparound Program) in questioned costs. For example, Foothill:

- Did not appropriately allocated \$5,611 to the DMH Program and \$4,602 to the Wraparound Program for expenditures based on costs that did not benefit the Programs.

*Foothill's attached response indicates that they disagree with our finding. However, the Agency revised their allocation method to remove direct costs from their allocated costs as recommended.*

- Charged DMH \$2,539 in FY 2012-13 for equipment without documentation to support how the expenditures benefited the DMH Program.

*Foothill's attached response indicates that they agreed with our finding and removed the \$2,539 from the DMH Program.*

- Over-charged DMH \$7,951 in FY 2012-13 for building depreciation by allocating based on budget not actual activity, as required.

*Foothill's attached response indicates that they recalculated their depreciation expenses, and determined that they over allocated \$3,070 to the DMH Program.*

- Charged the Wraparound Program \$1,750 for purchasing gift cards without documentation to support the gift cards were given to the Wraparound clients. After our review, Foothill provided documentation to support \$500 of the \$1,750.

*Foothill's attached response indicates that they disagreed with the questioned costs because they have documentation of Wraparound clients' receiving the gift cards. However, the documentation indicates that the clients received the gift cards for participation in April 2012, however the gift cards were purchased in August 2012.*

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with Foothill, DMH, and DCFS. Foothill's attached response indicates that they will implement the majority of our findings and recommendations. DCFS and DMH management will work with Foothill to ensure that the questioned costs and our recommendations are implemented.

We thank Foothill management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB:sk

Attachments

c: William T Fujioka, Chief Executive Officer  
Philip L. Browning, Director, Department of Children and Family Services  
Dr. Marvin J. Southard, D.S.W., Director, Department of Mental Health  
Michael C. Buchanan, Board Chair, Foothill Family Service  
Steve Allen, Chief Executive Officer, Foothill Family Service  
Public Information Office  
Audit Committee

**FOOTHILL FAMILY SERVICE  
DEPARTMENT OF MENTAL HEALTH AND  
WRAPAROUND APPROACH SERVICES PROGRAMS  
CONTRACT COMPLIANCE REVIEW  
FISCAL YEARS 2011-12 AND 2012-13**

**PROGRAM SERVICES**

**Objective**

Determine whether Foothill Family Service (Foothill or Agency) provided the services billed to the Department of Mental Health (DMH) in accordance with their DMH contract and related guidelines.

**Verification**

We selected 30 (.3%) of the 10,055 approved Medi-Cal billings for August and September 2012, which were the most current billings available at the time of our review (April 2013). We reviewed the Assessments, Client Care Plans, and Progress Notes in the clients' charts for the selected billings. The 30 billings represent services provided to 30 clients.

**Results**

Foothill overbilled DMH \$2,485 for eight (27%) of the 30 billings reviewed. Specifically, the Agency overbilled for:

- Five (50%) of the ten billings reviewed for Mental Health Services totaling \$1,003, in which the Progress Notes did not describe what the clients or service staff attempted and/or accomplished towards the Client Care Plan objectives, as required by the DMH Provider's Manual, Chapter 1, Page 1-9 and Chapter 2, Page 2-2. According to the DMH Provider's Manual, each chart note must include a description of service provided, and what was attempted and/or accomplished during the contact toward the attainment of a treatment goal.
- Three (60%) of the five billings reviewed for Crisis Intervention Services totaling \$1,482, without documenting the need for the Crisis Intervention Service, as required by the DMH Provider's Manual, Chapter 2, Page 2-1. According to the DMH Provider's Manual, a Crisis Intervention note must include acuity of the client or situation which jeopardizes the client's ability to maintain community functioning. The DMH contract defines the Crisis Intervention Service as the service on behalf of the beneficiary for a condition which requires a more timely response than a regularly scheduled appointment, and requires the Agency to document the need for requiring a more timely response.

In addition, the Agency needs to improve the quality of documentation in their Assessments, Client Care Plans, and Progress Notes in accordance with the DMH contract requirements.

### Assessments

Foothill did not adequately describe the clients' symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorder (DSM) to support the diagnosis in 19 (95%) of the 20 Assessments reviewed, as required by the DMH Provider's Manual, Chapter 2, Page 2-7. According to the DMH Provider's Manual, the initial clinical assessment should contain a DSM diagnosis that is consistent with the presenting problems, history, mental status evaluation, and/or other assessment form. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorders and the criteria for diagnosing them. The DMH contract requires the Agency to follow the DSM when diagnosing clients.

### Client Care Plans

Foothill did not complete some elements of the Client Care Plans for 15 (75%) of the 20 Client Care Plans reviewed in accordance with their DMH contract. Specifically, the Agency did not develop specific objectives as required by the DMH Provider's Manual, Chapter 1, Page 1-11. According to the DMH Provider's Manual, Client Care Plans should include clinical/case management objectives that are SMART (specific, measurable, achievable, relevant, and time-bound).

### Progress Notes

All (100%) of the five Progress Notes for the Therapeutic Behaviors Services (TBS) did not document how the service stabilized the client's behaviors documented in the client's TBS Client Care Plan, as required by the DMH Provider's Manual, Chapter 3, Page 3-1. In addition, the Progress Notes did not include a comprehensive summary covering the time that services were provided, as required by the State DMH Information Notice No. 02-08.

### Recommendations

#### **Foothill Family Service management:**

- 1. Repay the Department of Mental Health \$2,485.**
- 2. Ensure that Assessments, Client Care Plans, and Progress Notes are completed in accordance with their County contract.**

**STAFFING QUALIFICATIONS****Objective**

Determine whether Foothill's treatment staff had the required qualifications to provide the mental health services.

**Verification**

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 20 (14%) of the 139 Foothill treatment staff who provided services to DMH clients during August and September 2012.

**Results**

Each employee reviewed had the qualifications required to provide the billed services.

**Recommendation**

None.

**CASH/REVENUE****Objective**

Determine whether Foothill properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management timely.

**Verification**

We interviewed Foothill personnel, and reviewed their financial records and February 2013 bank reconciliations for three bank accounts.

**Results**

Foothill properly recorded revenue in their financial records, and bank reconciliations were reviewed and approved by Agency management timely. However, Foothill did not deposit cash receipts into their bank accounts timely. Specifically, Foothill deposited the November and December 2012 Department of Children and Family Services (DCFS) Wraparound Approach Services (Wraparound) payments one to two weeks after receiving the checks. According to the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) Section B.1.2, cash receipts totaling \$500 or more should be deposited within one day of receipt.

**Recommendation**

3. Foothill Family Service management deposit cash receipts totaling \$500 or more within one day of receipt.

**EXPENDITURES/COST ALLOCATION PLAN****Objective**

Determine whether Foothill's Cost Allocation Plan (Plan) complied with their County contracts, and if expenditures charged to the DMH and Wraparound Programs were allowable, properly documented, and accurately billed.

**Verification**

We reviewed the Agency's Plan and their financial records for 100 (27 DMH, 33 Wraparound, and 40 shared) non-payroll expenditures, totaling \$603,865 (\$234,232 DMH, \$32,262 Wraparound, and \$337,371 shared), charged to the DMH and Wraparound Programs from July 2011 through February 2013. We also interviewed Agency personnel.

**Results**

Foothill's Plan was prepared in compliance with their County contracts. However, Foothill charged the DMH and Wraparound Programs \$54,711 and \$7,818 in questioned costs, respectively. Specifically:

**Shared Costs**

Foothill inappropriately allocated direct costs totaling \$33,921 to the DMH Program and \$6,068 to the Wraparound Program that did not benefit the Programs or were not adequately supported. Specifically, Foothill:

- Allocated \$24,749 (\$24,102 in Fiscal Year (FY) 2011-12 and \$647 in FY 2012-13) to the DMH Program and \$1,093 to the Wraparound Program in FY 2011-12 for computers, laptops, and bookcases without documentation that the items were being used by DMH or Wraparound staff. After our review, Foothill provided additional documentation to support the amounts charged to the Programs, except for \$3,417 allocated to the DMH Program.
- Allocated \$4,602 to the Wraparound Program in June 2012 for rent, building renovation, maintenance costs, utilities, supplies, and furniture for the offices not used by the Wraparound Program.
- Allocated \$2,194 in rent to DMH in FY 2012-13 for an office not used by the DMH Program.



- Allocated \$6,978 to the DMH Program and \$373 to the Wraparound Program for cell phone reimbursement costs, without adequate supporting documentation. After our review, Foothill provided documentation to support the questioned costs.

#### DMH Program

Foothill inappropriately charged \$20,790 to the DMH Program in questioned costs. Specifically, Foothill:

- Charged \$10,300 in FY 2011-12 for gift cards given to their employees as a form of an incentive/bonus. Although OMB Circular A-122 permits employee incentive pay, Foothill did not have documentation to support how the gift cards benefited the DMH Program. Additionally, Foothill did not provide a policy on employee productivity incentives, proof that staff qualified for the incentive pay, or proof that staff received the gift cards. In addition, Foothill did not maintain an inventory log of gift cards to document the purchases and disbursement of the gift cards. After our review, Foothill provided documentation to support the \$10,300 as an allowable charge to the Program.
- Charged DMH \$2,539 in FY 2012-13 for seven scanners without documentation to support how the scanners benefited the DMH Program. Foothill kept six new scanners in storage and one with the receptionist. In addition, the Agency did not maintain any controls over their portable equipment such as who the scanners were assigned to, sign-in/out log, inventory listing, or physical verification of portable equipment.
- Overcharged \$7,951 in FY 2012-13 for building depreciation costs by allocating costs based on budget, not actual activity, as required. Although Foothill adjusted the amount at the end of FY 2012-13, Foothill needs to reduce their depreciation expense by an additional \$7,951 on their Cost Report.

#### Wraparound Program

Foothill charged \$1,750 in questioned costs to the Wraparound Program. Specifically, Foothill:

- Charged \$475 in FY 2011-12 for gift cards that did not benefit the Wraparound Program. Foothill management indicated that the gift cards were charged to the Wraparound Program in error.
- Charged \$1,275 in FY 2012-13 for Food 4 Less gift cards without adequate documentation to support that the gift cards were given to the Wraparound clients. After our review, Foothill provided additional documentation to support \$500 of the \$1,275 in questioned costs.

**Recommendations****Foothill Family Service management:**

4. Reduce the Fiscal Year 2011-12 Department of Mental Health Cost Report by \$4,964 (\$2,770 + \$2,194) and the Fiscal Year 2012-13 Department of Mental Health Cost Report by \$11,137 (\$647 + \$2,539 + \$7,951), and repay the Department of Mental Health for any excess amounts received.
5. Reduce the Fiscal Year 2011-12 Wraparound Approach Services Program expenditures by \$5,077 (\$4,602 + \$475) and the Fiscal Year 2012-13 Wraparound Program expenditures by \$775, and repay the Department of Children and Family Services for any excess amounts received.
6. Ensure that only the shared expenditures that benefited the Department of Mental Health and Wraparound Approach Services Programs are allocated to the Programs in accordance with their Cost Allocation Plan and County contract requirements.
7. Ensure that the Department of Mental Health and Wraparound Approach Services Program expenditures are supported with adequate documentation.

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether Foothill's fixed assets and equipment purchased with DMH and Wraparound funds were used for the appropriate Programs and adequately safeguarded.

**Verification**

We interviewed Agency personnel, and reviewed the Agency's fixed assets and equipment inventory list. We also performed a physical inventory of ten items purchased with DMH and Wraparound funds to verify the items exist and were being used for the Programs.

**Results**

The ten items sampled were not safeguarded or exclusively used for the DMH and Wraparound Programs. Specifically, as indicated in the Expenditures/Cost Allocation Plan section, Foothill purchased computers, scanners, and furniture that were not used by the Programs. The A-C Handbook Section C.4.2 requires Foothill to use the fixed

assets and equipment purchased with DMH and Wraparound Program funds solely for the benefit of the Programs. In addition, Foothill's inventory list did not include the funding source as required by the A-C Handbook Section C.4.2.

### **Recommendations**

#### **Foothill Family Service management:**

- 8. Ensure that the equipment purchased with Department of Mental Health and Wraparound Approach Services Program funds are used solely for the benefit of the Programs.**
- 9. Maintain a fixed assets and equipment inventory listing with all necessary information required by their County contracts.**

### **PAYROLL AND PERSONNEL**

#### **Objective**

Determine whether the Agency appropriately charged payroll costs to the DMH and Wraparound Programs, and maintained personnel files as required.

#### **Verification**

We compared the payroll costs for 26 employees (ten DMH, ten Wraparound, and six shared), totaling \$117,227 (\$64,411 DMH, \$21,655 Wraparound, and \$31,161 shared) for February 2013, to the Agency's payroll records and timecards. We also interviewed staff and reviewed their personnel files.

#### **Results**

Foothill appropriately charged payroll costs to the DMH and Wraparound Programs, and maintained personnel files as required.

#### **Recommendation**

**None.**

### **DMH COST REPORT**

#### **Objective**

Determine whether Foothill's FY 2011-12 DMH Cost Report reconciled to their financial records.

**Verification**

We compared the Agency's FY 2011-12 DMH Cost Report to their financial records.

**Results**

Foothill's FY 2011-12 DMH Cost Report reconciled to their financial records.

**Recommendation**

**None.**



## Foothill Family Service

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Steven L. Davis

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June 18, 2014

John Naimo, Acting Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
350 South Figueroa Street, 8<sup>th</sup> Floor  
Los Angeles, CA 90071

Dear Mr. Naimo,

We reviewed the audit report and our response and corrective action plans are as followed:

### DMH and DCFS Review

1. Repay the Department of Mental Health \$2,485.

### FFS Response

The agency to repay the Department of Mental Health \$2,485.

See adjusting journal entry for \$2,485

### DMH and DCFS Review

2. Ensure that Assessments, Client Care Plans, and Progress Notes are completed in accordance with their County contract.

### FFS Response

#### Assessments

Foothill Family Service has provided the Auditor Controller feedback to all staff and has incorporated the findings into all our ongoing and initial training of staff. Foothill will provide revised basic documentation training to all staff. Foothill will continue to require that staff utilize the DSM and complete assessments that adequately describe the clients' symptoms and support the diagnosis. Foothill requires that all Assessments be approved by staff supervisors to ensure these requirements are met. Foothill will continue to audit 100% of cases, which

### ATTACHEE BOARD

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Figure 1

Serving the San Gabriel Valley from Car Centers in Pasadena, El Monte, Duarte and West Covina

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**DMH and DCFS Review**

5. Reduce the Fiscal Year 2011-12 Wraparound Approach Services Program expenditures by \$5,077 (\$4,602 + \$475) and the Fiscal Year 2012-13 Wraparound Program expenditures by \$775, and repay the Department of Children and Family Services for any excess amounts received.

**FFS Response**

We disagree with reducing the Fiscal Year 2011-12 Wraparound Approach Services Program expenditures by \$4,602 and the Fiscal Year 2012-13 Wraparound Program expenditures by \$775

The agency has historically pooled all facilities costs and allocated those cost based on direct salaries. All facilities are available for all services. The previous accounting system did not allow for an expansion for the chart of accounts to capture costs by location. We went back and manually calculated rent and facilities costs excluding the suggested location. Since staff at those locations would then not pay a share of the locations used by WRAP we calculated difference of \$486.

The agency believes its method of allocating shared costs is reasonable and allowable but at the suggestion of the AC the Agency has expanded its chart of accounts to allow for the capture of cost by location and will allocate costs on that basis going forward. The Agency feels its prior method was reasonable and allowable and any change should only be applied on a go forward basis.

The questioned \$775 gift cards were provided to clients and we have acknowledgement of receipts from clients we feel we have adequate support for this costs. Based on the feedback from the AC we have already implemented a practice to make sure to document gift card serial number on both supporting document for purchase and acknowledgement receipts. We will also make sure that the acknowledgement is completed when gift card is given. Support for transaction provided to auditors no adjustment needed.

The agency agrees with the adjustment of \$475. See adjusting journal entry for \$475

**DMH and DCFS Review**



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Chief Financial Officer